



January 10, 2007

Floor Prep

H.R. 2 – Fair Minimum Wage Act of 2007

Floor Situation:

With passage of the rules package for the 110th Congress (Title V of H.Res. 6), a closed rule for H.R. 2 was adopted, with three hours of debate to be divided equally and one motion to recommit.

At the conclusion of debate, the Republicans may offer a motion to recommit. A vote on final passage would occur after consideration of the motion to recommit.

H.R. 2 has not been considered by any committee in the 110th Congress.

Summary:

H.R. 2 increases the federal minimum wage. Specifically, the legislation would:

- Provide a \$2.10 an hour increase in the minimum wage from the current level of \$5.15 to an eventual level of \$7.25 an hour, to be implemented over the following period:
 - 1) \$5.85 within 60 days of enactment.
 - 2) \$6.55 within one year after the date of the first increase.
 - 3) \$7.25 within two years after the date of the first increase. (Section 2)

**Note: Similar provisions were included in Section 401 of H.R. 5970, the Estate Tax and Extension of Tax Relief Act of 2006, which passed the House on July 29, 2006.*

- Extend the federal minimum wage to the Commonwealth of the Northern Mariana Islands. Minimum wage would be set at \$3.55 sixty days after enactment, to

increase by 50 cents six months after enactment, and then by 50 cents every six months thereafter until equal to the federal minimum wage. (Section 3)

**Note: The Northern Mariana Islands are not currently covered by the federal minimum wage. Wage rates for American Samoa are set by a special industry committee, and therefore, this increase would not apply.*

Background:

The Fair Labor Standards Act (FLSA) of 1938 provided the first federal minimum wage, which was initially set at 25 cents an hour. As seen from the table below, since the FLSA of 1938, legislation has been enacted providing for an increase in the minimum wage on eight occasions:

Federal Minimum Wage Rates, 1938-2006

Public law	Effective date	Rate
P.L. 75-718 (Enacted June 25, 1938)	October 1938	\$0.25
	October 1939	0.30
	October 1945	0.40
P.L. 81-393 (Enacted October 26, 1949)	January 1950	0.75
P.L. 84-381 (Enacted August 12, 1955)	March 1956	1.00
P.L. 87-30 (Enacted May 5, 1961)	September 1961	1.15
	September 1963	1.25
P.L. 89-601 (Enacted September 23, 1966)	February 1967	1.40
	February 1968	1.60
P.L. 93-259 (Enacted April 8, 1974)	May 1974	2.00
	January 1975	2.10
	January 1976	2.30
P.L. 95-151 (Enacted November 1, 1977)	January 1978	2.65
	January 1979	2.90
	January 1980	3.10
	January 1981	3.35
P.L. 101-157 (Enacted November 17, 1989)	April 1990	3.80
	April 1991	4.25
P.L. 104-188 (Enacted August 20, 1996)	October 1996	4.75
	September 1997	5.15

Table from CRS Report RL 33754

H.R. 2 would represent the ninth increase.

In September 1997 the current \$5.15 minimum wage became effective. If the minimum wage had increased in line with inflation since this date, it would be set at \$6.40 as of November 2006.

In addition to the federal minimum wage, states may set a minimum wage higher than federal law. Twenty-nine states currently have a minimum wage higher than \$5.15 per hour.

The minimum wage was a major issue during the 109th Congress. The version of the Labor, Health and Human Services, and Education Appropriations bill adopted by the Appropriations Committee included a provision to increase the federal minimum wage to \$7.25. This legislation was never brought to the floor for consideration. In the latter part of the 109th Congress, the Democrats cited the need to increase the minimum wage during debate on a large variety of bills coming to the floor including the Unlawful Internet Gambling Prohibition and Enforcement Act, the Credit Agency Duopoly Relief Act of 2006, the Vocational and Technical Education for the Future Act, and the Pledge Protection Act.

H.R. 5970, The Estate Tax and Extension of Tax Relief Act of 2006 introduced by Chairman Bill Thomas, would have increased the minimum wage to \$7.25 an hour over a two and a half year period. This legislation passed the House on July 29, 2006 by a vote of 230 to 180. The legislation did not pass the Senate after failing to receive the needed 60 votes to invoke cloture.

Many Republicans believe that increasing the minimum wage without additional protections for small businesses will lead to job losses. Senate Republicans are expected to attempt to add tax and regulatory relief provisions for small businesses to a minimum wage increase. While House Democrats refuse to include any relief for small businesses along with an increase in the minimum wage, Senate Majority Leader Harry Reid has stated, "If it takes adding small-business tax cuts to have a minimum-wage increase, then we'll do that." President Bush has also stated that he supports combining an increase in the minimum wage with relief for small businesses.

Small businesses create two out of every three new jobs, are responsible for about half of America's total employment, employ 41 percent of high tech employees and are responsible for more than half of non-farm Gross Domestic Product (GDP).

Special Note:

In response to the 100 Hours agenda, Representatives McKeon and McCrery have introduced the Working Families Wage and Access to Health Care Act, which raises the minimum wage while also offering relief to small businesses.

This legislation adopts the text of sections 2 and 3 from H.R. 2, providing for precisely the same increase in the minimum wage over the same timeframe. But, in contrast to

H.R. 2, the bill also contains other provisions to assist small businesses in meeting the cost of a higher federal minimum wage. These provisions include:

- Association Health Plans. In the 109th Congress, legislation to this effect, H.R. 525, was passed by a vote of 263 to 165 on July 26, 2005. AHPs allow small employers to offer health coverage to their employees by spreading risk among a larger pool.
- Under current law, small businesses may expense up to \$100,000 of investments in depreciable assets. The deduction is currently phased out when investments exceed \$400,000 (indexed for inflation). After 2009, the deduction is set to decline to \$25,000 and the phase-out threshold is set to decline to \$200,000. This legislation extends the higher limits through 2010.
- Reduces new restaurant construction depreciation to 15 years from 39 years for investments made through 2007.
- Early elimination of the Federal Unemployment Tax Act (FUTA) 0.2 percent surtax. Date moved forward from 12/31/07 to 4/01/07. This tax was created in the 1970s as a temporary measure to cover the costs of an emergency extended benefits program, the costs of which were paid off in the 1980s.

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